C3400-8

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

MARCH 12, 1990

REWIRING AMERICA

Operators enhancing plants for a new cable era

FCC EXPECTATION:
60% CLI FAILURE

BETTER VALUE BEHIND
DUAL-PAY PACKAGING

SPORTS NETS BRACE
FOR BASEBALL STRIKE

CONFESSIONS OF
PUBLIC ACCESS PRODUCERS

CABLE'S CREDIT WORTHINESS
IN A POST-DREXEL MARKET

*****5-DIGIT 20814
43603 900507 CVMP 1 301
CONGRESSIONAL INFO SRV/SR ###
EDITOR/ACQUISITIONS ###
4520 EAST WEST HIGHWAY
BETHESDA MD 20814

CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

MARCH 12, 1990

BEST COPY AVAILABLE

COVER STORY

TECHNOLOGY

30

Rewiring America: Industry prepares for new cable era

1990 promises to be a big year for system rebuilds and upgrades, as operators enhance plants. Special technology section continues through page 52.

NEWS

8

ESPN/TBS share NFL

Networks to split football season; both plan operator surcharges to defray costs

8

Legislation promised

Markey suggests some form of reregulation required because of complaints

8

HA! launching April 1

First affiliate makes announcement, but nothing out of MTV Networks

12

Competitor or compliment?

Cable industry mulls over Sky Cable DBS venture with curiosity, apprehension

ANALYSIS

PROGRAMMING

16

Contingency plan

Cable sports nets might need to go to the minor leagues if majors strike

MARKETING

22

Better value

Dual pay packages boosting premium units in San Jose

POLICY

26

Not aroused

NCTA customer service guidelines gets "too little, too late" reception in Washington

TECHNOLOGY

36

Somber FCC prediction

60% of cable systems are expected to fail new CLI test

40

A day in the life

20-year veteran cable technician battles the asphalt jungle with a smile

HANDBOOK

Public access confessions 55
Producers reveal trials & tribulations of producing low-budget comedy show

Trade groups join in 58
Countdown to National Cable Month focuses on efforts by CAB, CATA, CTPAA, WIC

DEPARTMENTS

Cable Poll 50
Money 60
Stock Chart 70
Classified 72
Calendar 74
Database 78
People 80
Parting Words 82

Fairchild Publications, 1990. A division of Capital Cities Media Inc. All rights reserved. *CableVision* (USPS 347-410; ISSN 0161-0341) is published biweekly by Fairchild Publications, 600 S. Cherry Street, Suite 400, Denver, Colorado 80222 -or- P.O. Box 22955, Wellshire Station, Denver, CO 80222. March 12, 1990. Volume 14, Number 19. Subscription price: 1 year, $55.00; 2 years, $98.00. Outside USA 1 yr. $124; 2 yr. $205; 3 yr. $274. PREPAYMENT IN U.S. FUNDS ONLY. Second-class postage paid at Denver, Colorado and additional mailing offices. POSTMASTER: Please send address changes to: *CableVision*, 600 S. Cherry St., Suite 400, Denver, Colorado 80222.

ABP BPA

BEST COPY AVAILABLE

PUBLISHER'S LETTER

Dear Reader:

It gives me great pleasure to announce the appointment of Kathy Haley as Editor-in-Chief, *CableVision* Magazine.

Kathy brings with her the breadth of experience we are seeking in our new editor. She has written about the television and cable businesses for 11 years, most recently as a frequent contributor to *Channels* and as editor of *Extra Extra*, a convention daily. As editor of *View*, Kathy helped reposition that magazine from a monthly specializing in cable programming to a biweekly covering network, cable and syndicated TV programming. She was instrumental in View Communications' launch of the *INTV Journal* and *World Screen News*. Kathy began her career in business writing and editing at *Broadcasting*, where she covered radio, the U.S. Congress and, as New York Bureau Chief, television programming.

Most importantly, Kathy shares our vision for *CableVision*. That is, to create a media vehicle that looks behind the news to analyze and interpret the trends shaping the future of cable television.

CableVision is the business journal of record for today's cable management and has evolved over the years to provide the kind of information essential to successful cable system management.

We have done our homework during the past 18 months, researching the information needs of the marketplace as they reflect an industry in transition. These include regulation, marketing, advertising, technology, programming and system operations—all the elements that affect your business.

Our mandate—is to better serve these information needs.

During the past 30 days, we have brought on board Richard Tedesco, formerly of *Electronic Media* and *Cable Marketing* and Joe Terranova, formerly of *Cable Marketing* and *Multichannel News*. Both have distinguished careers in covering the cable business.

Kathy Haley will provide the leadership and set the high standards of editorial quality required to stay on top of business.

We are committed to hiring the best available writers and reporters in our effort to better serve your needs. You will see further evidence of this commitment as we continue to add to our staff and enhance our graphics and presentation. We want to bring you the best *cable-exclusive* business magazine serving the television industry.

As we fine tune our product during the coming months, I will value your interest and support and give you my personal assurance of continued commitment to improving all areas of our publication.

I ask you to join me in welcoming Kathy to our staff and look forward to serving you even better in the future.

—William McGorry, Vice President & Group Publisher

CableVision

Copyright 1990 by Fairchild Publications
A Division Of Capital Cities Media Inc.
All Rights Reserved

William McGorry . . . Vice President, Group Publisher
Larry Jaffee . . . . . Managing Editor

EDITORIAL

NEW YORK
Simon Applebaum . . . . . Senior Editor
Robert O'Brien . . . . . Financial Editor
Richard Tedesco . . . . . Senior Editor

DENVER
Craig Kuhl . . . . . Bureau Chief
Roger Brown . . . . . Associate Editor

WASHINGTON
Howard Fields . . . . . Contributing Editor

PRODUCTION

NEW YORK
Jeff Knight . . . . . Operations Director
Janet Rodgers . . . . . Production Manager
Susan Rosenblatt . . . Production Assistant
Andra Douglas . . . . . Creative Consultant

DENVER
Don Ruth . . . . . Graphics Director
Elaine Callahan . . . . Production Manager

ADVERTISING

NEW YORK
Martha Martin . . . . . Marketing Manager Mid Atlantic/Southeast
Margaret Lord-York . . Marketing Manager/ Northeast
Cynthia Fetner . . . . . Marketing Assistant

DENVER
Jim Dickson . . . . . Regional Manager

CIRCULATION

DENVER
Dick Benson . Circulation/Subscription Director
600 S. Cherry St., Suite 400 Denver, CO 80222
(303) 393-7449 Fax: (303) 393-6654

OFFICES

DENVER
600 S. Cherry St., Suite 400, Denver, CO 80222 (303) 393-7449 Fax: (303) 393-6654

NEW YORK
345 Park Ave. South, 9th Floor, New York, N.Y. 10010. (212) 576-4111 Fax: (212) 213-3628

WASHINGTON
1611 N. Kent Street, Suite 1000, Arlington, Va. 22209. (703) 247-3368 Fax: (703) 524-8977

FAIRCHILD PUBLICATIONS DIVISION
John B. Fairchild
Chairman of the Board
Phillip Meek
President
Kenneth Share
Executive Vice-President
Richard Lynch
Senior Vice-President, Operations
Philip L. McGovern
Senior Vice-President & Treasurer
Robert F. Callahan
Senior Vice-President and Group Publisher
Richard Brooks
Vice-President, Production
Andrew Cunningham
Corporate Production Director

March 12, 1990
Volume 14, Number 19

Reliability, signal quality, capacity reasons behind plant rebuilds/upgrades

A third of the systems reporting to the latest edition of Cable Poll™ will rebuild or upgrade their plants this year.

And about a quarter of those rebuilding or upgrading said the construction decision was based on their franchises nearing renewal, although two-thirds said improving signal quality was very important.

Additionally, 70 percent reported that the overriding decision was based on improving system reliability, while 69 percent tagged increasing their ability to offer new services as the reason behind the construction.

This and other information gathered during nearly 400 interviews with system management personnel nationwide paints a picture of rebuild and upgrade necessity, in preparation of the new cable TV era ahead, as our qualitative construction report on page 30 demonstrates.

Number 1 in a series of eight

Worth noting, 55 percent of the total respondents said increasing the profitability of their systems was very important, but not as great as improving system reliability and signal quality, as well as expanding channel capacity. Apparently telco entry is not a pressing threat, because only 23 percent said preventing further competition was very important in making the rebuild decision, and another 19 percent said it was somewhat important.

The size of systems doesn't figure significantly in whether or not to rebuild or upgrade. For example, 33 percent of the systems polled with less than 10,000 subscribers (small system), said they planned to rebuild or upgrade their plants in 1990, while 34 percent with 10,000-50,000 subs (medium system) and 38 percent of those systems with more than 50,000 subs (large system) have construction plans.

The amount of miles being rebuilt was divided fairly evenly between the small and medium-sized systems, but for obvious reasons, the huge system rebuilds are occurring far less frequently. With total respondents reporting, 42 percent reported they were rebuilding less than 50 miles, while 37 percent are rebuilding 51 to 200 miles. Fifteen percent said they were rebuilding more than 200 miles.

In this area, for obvious reasons, there was some divergence in terms of system size. Only 1 percent of systems with less than 10,000 subs said they were rebuilding more than 200 miles, but 23 percent with 10,000-50,000 subs and 67 percent with more than 50,000 subs are rebuilding that vast mileage.

In the 51-to-200 miles category, the results were a different story. Thirty-five percent of the small systems, 45 percent of the medium systems and 25 percent of the large systems, said they were rebuilding within that range of distance.

For no apparent reason, there was some divergence in responses, according to system size, when the respondents were asked, "In your decision to rebuild or upgrade, how important was it to you that your franchise was nearing renewal?"

For example, 40 percent of the medium systems replied the renewal issue was very important, while 8 percent of the large systems replied affirmatively. (19 percent of the small systems said it was very important.)

Responses also varied some on those who felt improving signal quality was very important in the rebuild decision: small systems (71 percent); medium (74 percent); but interestingly, large (42 percent).

System reliability fared similarly, with 71 percent of small systems replying that it was very important to the decision, 74 percent for the medium and 58 percent for the large.

The recent onslaught of new programming services, such as The Comedy Channel and Mizlou's Sports News Network, and the imminent launch of HA!, and further down the road, the Sci-Fi Channel, the Cowboy Channel and In Court, easily explains why 69 percent of the total respondents said increasing their ability to offer new services was very important in the rebuild/upgrade decision.

The system-size breakdown was fairly consistent: small (63 percent); medium (79 percent); and large (67 percent).

Of course, many cable systems, no matter their size in terms of subscribers are facing the same channel capacity crunch, and still trying to find room for now channel mainstays like TNT and The Discovery Channel, important niche services like Black Entertainment Television, and newcomers like CNBC.

The respondents did not appear to be too worried about losing market share to other (present or future) video providers, with 56 percent of the total respondents saying that preventing further competition was not very important or not important at all in influencing their rebuild decisions.

Fourteen percent of the total respondents said their companies experienced some problems in

continued on page 52

continued from page 50

obtaining strand to purchase in the last year or so. Those companies responded to the problem in different ways: order from a different vendor (27 percent); order from multiple vendors (46 percent); did nothing—shipment was going to be late (13 percent); paid a premium to ensure receipt (4 percent).

However, 45 percent said they paid a premium price to obtain the strand they needed.

In response to the question: "How much of a problem do you expect your company to have in obtaining strand over the next 12 months or so?," 12 percent said they expected some problem, but 25 percent forecasted very little problem and 56 percent none at all.

The Cable Poll™ is a sampling of industry opinion conducted on a regular basis by Ryan/Samples Research, Inc. for Midwest CATV, *CableVision* and *C·E/D* magazines.

Telephone interviews for this edition of The Cable Poll™ were conducted between February 1-15, 1990. A total of 396 interviews were completed.

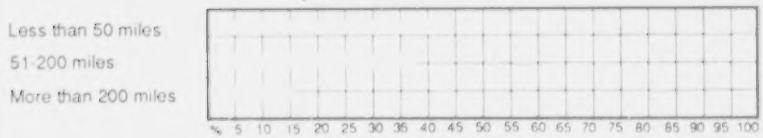
Interviewers used a listing of system management personnel obtained from the CableFile Research database. Potential respondents were chosen at random from the database of more than 2,000 cable company employees.

No sample can guarantee an exact replica of the total number of system management personnel within the cable industry. However, for this edition of The Cable Poll™, researchers are 95 percent certain that any aggregate result (of all 396 respondents) won't deviate more than 4.9 percentage points plus or minus for all system management personnel included in the CableFile database. ■

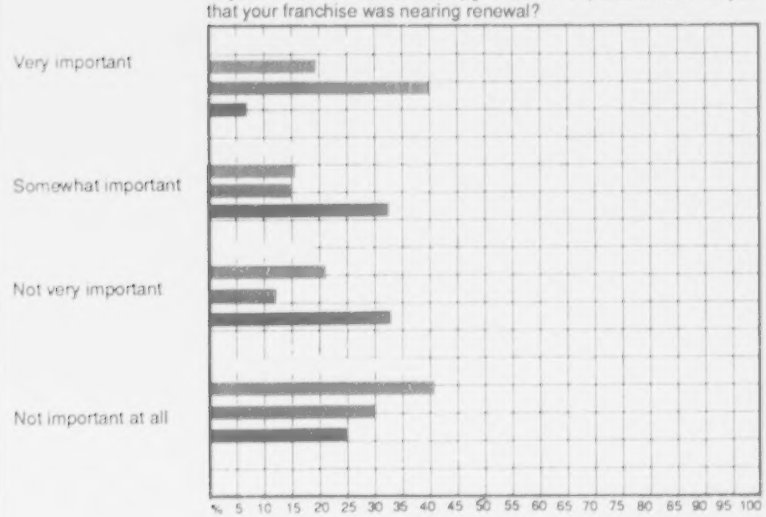
Adding up your answers:

(use four color guides at bottom)

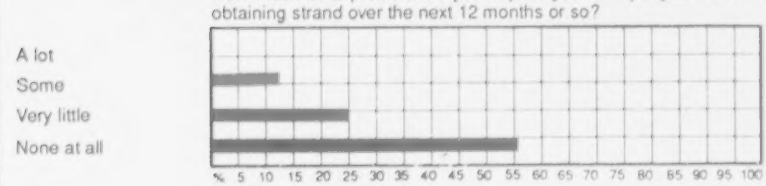
Thirty-three percent (132) of the total (396) respondents are rebuilding or upgrading physical plant. Those affirmative respondents were asked: How many miles within your system do you plan to rebuild this year?

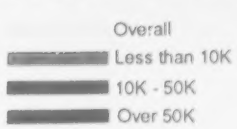


In your decision to rebuild or upgrade, how important was it to you that your franchise was nearing renewal?


Very important
Somewhat important
Not very important
Not important at all
% 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100

How much of a problem do you expect your company to have in obtaining strand over the next 12 months or so?





QUARTERLY EARNINGS CHART

Dollar amount in thousands

Company (Quarter/Fiscal Year)	Revenues	%Change	Operating Profit	%Change	Net Income	%Change
ATC (4th/89)	$ 256,334	17.2	$ 68,478	18.3	$ 26,331	24.6
Century Communications (2nd/90)	54,470	13.0	28,184	11.9	- 15,193	- 56.2
C-Cor Electronics (2nd/90)	13,067	1.9	N.A.	N.A.	802	- 40.7
C-Tec Corp. (4th/90)	47,166	21.2	N.A.	N.A.	- 3,837	- 5.4
Financial News Network (2nd/90)	20,990	50.7	N.A.	N.A.	1,524	57.3
Jones Intercable (2nd/90)	19,803	20.1	9,020	13.0	- 6,726	- 169.4
Jones Spacelink (2nd/90)	3,472	53.7	1,027	70.5	- 217	- 81.2
Viacom (4th/89)	385,653	7.8	49,893	- 29.2	- 29,144	- 70.3

their operations and long standing, have conservative capital structures. Cable companies are a stark contrast. Even the most highly regarded cable operators typically have thin cash-flow coverage of their net interest expense in comparison to broadcasters. Their level of indebtedness typically runs to as much as eight times annualized cash-flow.

That situation was exacerbated through the end of the decade by a spate of bond issues that helped finance the consolidation the cable industry underwent. Companies like Cablevision Industries, Comcast, Century, Tele-Communications Inc. and other raised millions of dollars in the debt markets.

The late '80s were a time of a vibrant debt market for all industries, but cable fared spectacularly when it went to the debt well. Cable operators were able to raise large sums of capital under favorable conditions.

In 1988, for example, when Viacom International went to the bond market for financing, it planned to raise about $300 million; by the time it actually brought them to the market several months later, the offering had been raised to $500 million, a figure that was estimated to be just half of what it could have sold.

More tellingly, that issue carried relatively low coupons. Viacom's cash-flow was about 1.3 times its interest coverage; companies with cash-flow coverage under 1.5 typically offer coupons topping 12. Yet, Viacom's offering was an unqualified success.

By 1989, more than 25 cable companies, including some programmers, had high-yield issues. Several had multiple issues. Those 25 companies shared more than 50 issues by 1989, and there were more to come in the opening months of 1989.

The adverse market conditions that currently prevail have limited the opportunities for cable operators to launch new issues. Standard & Poor's Siderman notes that there

January, 1990

SOLD

GRAFTON CABLE COMPANY, INC.

serving Grafton, West Virginia

to

CENTURY HUNTINGTON COMPANY

of Huntington, West Virginia

The undersigned represented the seller in this transaction.
This notice appears as a matter of record only.

COMMUNICATIONS EQUITY ASSOCIATES

401 E. Kennedy Blvd. • Suite 1500 • Tampa, FL 33602 • (813) 223-8711
1235 Westlakes Drive • Suite 140 • Berwyn, PA 19312 • (215) 251-9030

CEA is a member of the National Association of Securities Dealers, Inc. and its professional associates are registered with the NASD. Member SIPC

That collapse leaves leveraged operators with one less recourse to retiring debt. Meanwhile, other factors, particularly the threat of reregulation, makes the cable industry a less attractive business.

In that environment, operators fear the impact a default could have on the industry. ■

Correction

In the Feb. 26 issue of *CableVision*, the annual broker roundup incorrectly gave credit to Lazard Freres & Co. for co-brokering the Centel deal with Daniels & Co. Morgan Stanley & Co. was the co-broker on the deal. We regret the error, and any confusion it might have caused.

This notice appears as a matter of record only.
February 1990

Valley
Communications Inc.

Serving Laughlin, Nevada.
Has been acquired by

Laughlin Cable TV Inc.

Sale represents 1,500 basic subscribers.

Jeff Eden
represented the sellers.

DANIELS
&ASSOCIATES

3200 Cherry Creek South Drive, Suite 500, Denver, CO 80209 303/778-5555
299 Park Avenue, New York, NY 10171 212/935-5900

Financial Services to the Cable Industry.

Financial/Stocks

• **Avalon Pictures** is holding discussions with operators over the creation of a pay-per-view service devoted largely to event and special-interest programming. The talks follow Avalon's completion of a $31 million financing agreement with **Horikoshi Corp.**, a real estate conglomerate based in Tokyo with annual sales exceeding $15 billion. Some of the funds will be used as capital for the proposed PPV channel if operators show interest, says Avalon President Rick Blume. Other proceeds will go to the company's existing PPV film distribution business, involving an assortment of titles from independent producers. Horikoski officers label the deal a first step towards a diversified involvement in global entertainment. Blume, formerly involved with **United Satellite Communications**, founded Avalon two years ago.

• **Zenith Electronics** ran up $3.9 million in net income for the quarter ending Dec. 31. That was down from $7.6 million in net derived the comparable 1988 period. Revenues increased to $443.2 million from $439.8 million. Zenith said higher material and labor costs more than offset higher efficiency improvements. For all of 1989, the firm compiled a $16.8 million operating loss with more than $1.5 billion in revenues, against a $10.2 million operating loss and $1.4 billion in revenues the previous year.

Acquisitions

• **Britannia Cablesystems** received the cable TV franchise for Portsmouth, England late last month, covering some 200,000 households. Portsmouth represents the first franchise award for Britannia, incorporated last fall with investments from **Falcon Communications**. **First**

DATABASE

Subscriber Count

Satellite national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	420	9,200,000
Alternate View Network	300	4,500,000
Arts & Entertainment Network (A&E)	4,600	42,000,000
Black Entertainment Television	2,100	25,000,000
CNBC	800	14,300,000
Cable News Network	12,177	54,400,000
Cable Value Network	1,800	23,300,000
Channel America (new)	3	67,529
C-SPAN	3,764	48,100,000
C-SPAN II	738	20,100,000
The Comedy Channel	500	6,000,000
Country Music Television	1,092	9,124,974
The Discovery Channel	7,052	47,400,000
Eco/Galavision	300	1,000,000
ESPN	21,500*	55,340,000
Eternal Word Television Network	580	13,300,000
The Family Channel	8,659	47,297,000
Family Guide Network	60	4,500,000
FamilyNet	384	3,800,000
Financial News Network	3,300	32,700,000
FNN Sports	1,600	20,000,000
Headline News	4,443	39,400,000
Home Shopping Network	1,488	16,928,895
Home Shopping Network II	384	6,796,525
The Inspirational Network	920	9,500,000
International Television Network	25	7,868,900
J.C. Penney TV Shopping Channel	150	6,100,000
KTVT	400	3,420,000
The Learning Channel	1,200	19,000,000
Lifetime	4,600	46,400,000
Mind Extension University	156	8,000,000
Mizlou Sports News Network (new)	N.A.	5,000,000
MTV	5,705	48,200,000
Movietime	500	14,000,000
The Nashville Network	8,604	48,000,000
National College Television	380	6,569,228
Nick At Nite	5,725	46,500,000
Nickelodeon	7,100	48,500,000
The Nostalgia Channel	421	8,000,000
Prevue Guide	607	14,966,939
QVC Network	1,000	14,100,000
RFD TV	50	2,182,190
Silent Network	189	13,600,000
SportsChannel America	25	2,100,000
TBS Superstation	13,013	51,008,000
Telemundo***	8	110,000
TNT	4,700	40,000,000
The Travel Channel	511	14,000,000
Trinity Broadcasting Network	859	12,500,000
Univision***	500	509,500
USA Network	10,100	50,800,000
VH-1	3,000	34,600,000
Vision Interfaith Satellite Network	381	7,000,000
The Weather Channel	3,950	42,200,000
WGN-TV	11,450	25,700,000
WWOR-TV	2,761	12,516,607
WPIX-TV	840	9,378,874
WSBK-TV	73	227,936
Bonus/basic services		
American Movie Classics	2,000	24,000,000
Bravo	400	4,000,000
Pay services		
Cinemax	3,650	6,600,000
The Disney Channel	6,100	4,500,000
Home Box Office	7,400	17,000,000
The Movie Channel	3,250	3,000,000
Showtime	6,000	7,300,000
Tuxxedo Network	26	20,000
Audio services		
AEI Lifestyle	142	2,578,838
AEI StarTracks Vocal Hits	26	854,390
C-SPAN Audio Network	8	548,100
C-SPAN Audio Network II	4	440,700
Cable Radio Network	62	2,300,000
Galatic Radio	165	4,300,000
KKGO Super Jazz	18	133,639
Moody Bible Institute	63	1,058,368
Satellite Radio Network	237	483,000
Tempo Sound	125	1,250,000
WFMT Chicago	170	1,259,804
Text services		
AP News Cable	185	2,500,000
AP Business Plus	54	1,400,000
AP News Plus	75	2,100,000
Cable SportsTracker	40	1,175,870
EPG	127	4,446,737
EPG Jr.	366	379,570
Genesis Storytime	39	1,550,000
Reuters NewsView	127	2,437,000
Computer services		
DBC/MarketWatch	462	9,200,000
X*Press Executive	487	14,000
X*Press X*Change	487	14,000
Cross-channel promotion services		
NuStar	351	10,097,742

Non satellite-fed national services

Basic services	Affiliates	Subscribers
Cable Video Entertainment	190	18,000,000
Consumer Classified Ad Network	3	195,000
Fuji Network	3	12,000
Vector Consumer Shopping Guide	9	325,000
Pay services		
Nippon Golden Network	5	13,600

Interactive services

Basic services	Affiliates	Subscribers
Video Jukebox Network	40	4,000,000

Regional services

Basic services	Affiliates	Subscribers
Arizona Sports Programming Network	N.A.	210,000
Atlanta Interfaith	3	225,000
Bay Area Religious Channel	6	113,000
Cable TV Network of New Jersey	34	1,396,451
The Ecumenical Channel	9	170,000
KBL Entertainment Network	67	1,200,000
Life Newsvision	35	50,000
Madison Square Garden Network	168	3,475,000
Meadows Racing Network	14	600,000
News 12 Long Island	4	594,000
Midwest Sports Channel	90	275,000
Niagara Frontier Sports Network	13	800,000
Northwest Cable Sports Network	3	700,000
Pacific Sports Network	N.A.	1,000,000
Pennarama	28	750,000
Prime Cable	9	381,938
Prime Sports Network	108	675,000
Prime Sports Network (Northwest/new)	N.A.	1,300,000
Prime Sports Network (Utah/new)	26	273,000
Prime Ticket	163	3,800,000
SportsChannel (Chicago)	50	1,507,270
SportsChannel (Ohio)	2	280,800
Sunshine Network	200	2,800,000
Pay services		
Home Sports Entertainment	250	1,700,000
Home Team Sports	180	1,500,000
New England Sports Network	171	317,201
Prism	87	427,000
Pro-Am Sports	200	500,000
SportsChannel (Florida)	22	650,000
SportsChannel (Los Angeles)	76	125,000
SportsChannel (New England)	134	1,028,431
SportsChannel (New York)	100	1,300,000

Note: Figures for affiliate/subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Cable Stats, 345 Park Avenue South, 9th Floor, New York, NY 10010.
N.A. denotes information not available.
*Includes MMDS and SMATV systems. **Count represents standalone affiliates/subscribers; portions of 8C America are carried on Home Team Sports and the SportsChannel family of regional services. ***Spanish-speaking households.